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12 July 1973

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Bill Jones, House Government Activities
Subcommittee, on SAT

1. At his request, met with Bill Jones, Staff Director, Subcommittee on Government Activities, House Government Operations Committee, who explained that I had always leveled with him and wanted to know if I could assuage some of Chairman Brooks' apprehension concerning Southern Air Transport. Jones' pitch was:

(a) CIA had an ownership interest in SAT (he admitted it was speculation, not official information);

(b) the holders of outstanding capital stock, [redacted] were former Federal officials and there may be a conflict of interest;

(c) [redacted] the buyer, may be unjustly enriched;

(d) concern over disposition of proceeds from sale of Government assets;

(e) unfair competition;

(f) Brooks has a legitimate interest in these matters in view of the Subcommittee's general oversight responsibilities over CAB and disposal of surplus property.

Jones said Brooks was specifically interested in (c) and (d), and (e) as it relates to (c).

2. I told Jones that we appreciated Brooks' interest and have been responsive to his request for information in the past, but he should understand that we do keep our oversight committees fully informed on all activities. With respect to any suggestion of impropriety or laxness, I said we view our statutory authority as imposing an obligation for conducting our activities in

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a manner deserving of the trust that has been imposed.

3. I told Jones that I was neither authorized nor sufficiently informed to speak to the specific facts which interested Brooks, but he pressed for such information as I could give him in light of Brooks' current and deep interest, and I told Jones, on a classified basis for Brooks' information only, that:

(a) the Agency's acquisition of SAT was for the purpose of obtaining a needed operational capability at minimum cost and it was being disposed as there was no further need to retain that capability;

(b) the relationship between SAT and the Agency (from acquisition, during operation, to disposition) must remain secret to protect classified operations, pointing out the significant difference, diplomatically and otherwise, between speculation and official confirmation;

(c) [redacted] probably only are notionally involved, have no beneficial interests in SAT, and therefore could not benefit from its sale;

(d) an alternative to sale of the capital stock would have been liquidation of the assets that may have resulted in less return to the Government, loss of a capability for the future, and the possible loss of employment by SAT employees, to whom I assumed we felt a certain responsibility;

(e) the Agency is perfectly willing for CAB to handle the pending approval on the merits without CIA intervention and the only reason for the executive CAB hearing was to permit the Agency to explain its past interest;

(f) while I did not know the basis for the sales price, I was sure it was based on an outside independent appraisal which guaranteed a fair return to the Government, that the moneys would be appropriately disposed, and our oversight committees would be fully aware of all details.

[redacted]

Associate Legislative Counsel

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